



NOTICES OF PROPOSED RULEMAKING

This section of the *Arizona Administrative Register* contains Notices of Proposed Rulemakings.

A proposed rulemaking is filed by an agency upon completion and submittal of a Notice of Rulemaking Docket Opening. Often these two documents are filed at the same time and published in the same *Register* issue.

When an agency files a Notice of Proposed Rulemaking under the Administrative Procedure Act (APA), the notice is published in the *Register* within three weeks of filing. See the publication schedule in the back of each issue of the *Register* for more information.

Under the APA, an agency must allow at least 30 days to elapse after the publication of the Notice of Proposed Rulemaking in the *Register* before beginning any proceedings for making, amending, or repealing any rule (A.R.S. §§ 41-1013 and 41-1022).

The Office of the Secretary of State is the filing office and publisher of these rules. Questions about the interpretation of the proposed rules should be addressed to the agency that promulgated the rules. Refer to item #4 below to contact the person charged with the rulemaking and item #10 for the close of record and information related to public hearings and oral comments.

NOTICE OF PROPOSED RULEMAKING TITLE 2. ADMINISTRATION CHAPTER 6. DEPARTMENT OF ADMINISTRATION BENEFIT SERVICES DIVISION

[R17-11]

PREAMBLE

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| <p>1. <u>Article, Part, or Section Affected (as applicable)</u></p> <p>R2-6-101
R2-6-105
R2-6-106
R2-6-107
R2-6-108
R2-6-204
R2-6-301
R2-6-302
R2-6-303</p> | <p><u>Rulemaking Action</u></p> <p>Amend
Amend
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Amend</p> |
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- 2. Citations to the agency's statutory rulemaking authority to include the authorizing statute (general) and the implementing statute (specific):**
 Authorizing statute: A.R.S. §§ 38-651.04, 38-654, and 41-703(3)(11)
 Implementing statute: A.R.S. §§ 38-651, 38-651.01, 38-651.02, 38-651.03, 38-651.05, 38-653, and 38-1114
- 3. Citations to all related notices published in the *Register* as specified in R1-1-409(A) that pertain to the record of the proposed rule:**
 Notice of Rulemaking Docket Opening: 23 A.A.R. 415, February 10, 2017 (*in this issue*).
- 4. The agency's contact person who can answer questions about the rulemaking:**
 Name: Kayla Stivason
 Address: Department of Administration
 Benefit Services Division
 100 N 15th Ave., Suite 260
 Phoenix, AZ 85007
 Telephone: (602) 364-0803
 Fax: (602) 542-4048
 E-mail: Kayla.Stivason@azdoa.gov
 Web site: <https://benefitoptions.az.gov/>
- 5. An agency's justification and reason why a rule should be made, amended, repealed or renumbered, to include an explanation about the rulemaking:**
 R2-6-101 provides definitions for general terms that are referenced throughout chapter 6 relating to benefits. BSD will amend this section due to provisions in the rules being outdated, antiquated and no longer applicable to the operation of benefits. Within the current provisions of this section there is reference to domestic partner, older child, disabled older child, pre-tax dependent and post-tax dependent which are to be removed to comply with recent statutory changes. Likewise, definitions are being amended to clarify meaning and eliminate confusion; this includes definitions for child, eligible dependents, employee, qualified life events, seasonal employee, temporary employee, and variable hour employee. New legislation requires references to be added to include terms for a surviving spouse/ dependent of a deceased law enforcement officer killed in the line of duty, which is being incorporated into the current definitions for a surviving spouse and surviving dependent. These changes will provide enhanced clarification.



tion for laws regulating the manner in which benefits are offered to state employees.

R2-6-105 stipulates the times for enrollment into insurance benefits for different classifications of members. A new subsection (D) is being incorporated to include times for enrollment for surviving spouse and dependents of a deceased law enforcement officer killed in the line of duty, which is a requirement of state statute.

R2-6-106 specifies effective dates of coverage for employees, member's dependents, and retirees once enrolled in benefits. This section explains when coverage dates will take place when experiencing any changes due to employment, Medicare eligibility, retirement, or a qualified life event. BSD will amend subsections (C)(3) and (4) of this section to remove reference to domestic partner and to modify word use of educational institution to educational entity. These changes are being made to remain consistent with definitions used in R2-6-101 and to eliminate contradictory information between rule and §A.R.S. 38-651 that are no longer necessary to the operation of benefits.

R2-6-107 delineates the different timelines of when termination of benefits coverage will take place. Subsection (B) must be amended to clarify when insurance coverage will terminate for an eligible dependent who is no longer meeting the age requirement and subsection (D)(1) and (2) must be amended to include surviving spouse/ dependent of a deceased law enforcement officer killed in the line of duty. Specifying these factors is necessary to align with state statute requirements and federal mandates.

R2-6-108 discusses COBRA coverage eligibility, costs, and requirements. BSD will amend this section, in order to be consistent with section R2-6-101, which removes information that is outdated, antiquated and no longer necessary to the operations of benefits. Specifically, subsection (B) will remove all reference to the terms domestic partner, older child, and disabled older child. This change will alleviate any contradictory information that may be present about terms that are no longer recognized by BSD.

R2-6-204 sets forth the requirement that the agency will comply with Section 125 of the Internal Revenue Code. It explains how the employee's or officer's compensation will be treated in a flexible benefit plan. Subsection (B) through (D) are being amended to remove reference to pre and post-tax dependents. This is necessary to align with R2-6-101. Reference to pre- and post-tax dependents are no longer recognized due to no longer covering domestic partners. This change eliminates references that are no longer necessary for the operation of benefits.

R2-6-301 discusses eligibility criteria to participate in health, dental, and vision insurance plans. BSD will amend subsection (F) which addresses eligibility exceptions. Subsection (F)(1) through (3) references outdated State Personnel System rules, pertaining to leave without pay, which have been repealed. Section (F) is being updated to now incorporate the correct reference to the Personnel rules. Amending this rule eliminates antiquated information.

R2-6-302 outlines eligibility to participate in life and short-term disability insurance plans. This rule is necessary to differentiate when employees, officers, former elected officials, eligible dependents, and surviving spouse of a former elected official may participate in these insurance plans, and at what specific times enrollment must occur. BSD is amending subsection (A) (3) of this rule to remove information that is contradictory to current BSD practice. In subsection (A) (3) there is reference to the amount of supplemental life insurance that an employee is eligible to purchase and how it may not exceed three times of the employee's or officer's base pay when combined with basic life insurance. Current contract does not combine basic and supplemental life when determining eligible amounts allowable per employee. This rulemaking will eliminate provisions that are not applicable to the operation of benefits.

R2-6-303 provides expectations and acceptable forms of documentation in regards to audits of dependent eligibility. Section (C) is being amended to include language that provides authority of the director to extend the 60-day requirement on an individual basis. (C)(3), (4), and (10) are being removed as acceptable forms of documentation, in part to the removal of domestic partner. Subsection (D) (1) is adding a sentence to the beginning that addresses the advanced notice of at least 30-days to the member before terminating coverage of a dependent found to be ineligible. These changes are necessary to comply with federal mandates (PPACA).

6. A reference to any study relevant to the rule that the agency reviewed and proposes either to rely on or not to rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:

The Department did not review or rely on any study for this rulemaking.

7. A showing of good cause why the rulemaking is necessary to promote a statewide interest if the rulemaking will diminish a previous grant of authority of a political subdivision of this state:

Not applicable

8. The preliminary summary of the economic, small business, and consumer impact:

This rulemaking package does not have any effect on small business or consumer impact, but rather affects the state employee population. For the 2015 plan year ADOA's medical plan covered 53,386 active employees, including the state universities, 6,965 retirees and 72,657 dependents of the active and retiree populations.

From 1990 to 2016 there has been 73 firefighters and 75 law enforcement officers killed in the line of duty. Generally, there is an average of 2:1 members to employees. So there could be up to 296 new members eligible to join the plan, however, unlikely. Some of the surviving spouses and children may have passed away over the last 16 years and some of the children have attained 26 years of age. Currently, ADOA has three surviving spouses and five surviving children enrolled in the medical insurance plan under the provisions of the previous law. Additionally, it is difficult to determine how many surviving dependent(s) of law enforcement officers killed in the line of duty will utilize the lifetime benefit. If both parents of surviving children have deceased prior to the dependent turning the age of 26 years old, the dependent is reclassified as a member who is eligible to stay on the plan indefinitely, with the ability to now add their own dependents until they reach age 26. A.R.S. §38-1114 does not require enrollment in the health plan within a certain time limit, which could potentially expand the eligible population many years prior to the statute taking affect.

There is no expected economic impact because the number of same sex spouses has been nearly equal to the number of domestic



partners that were on the plan.

9. The agency's contact person who can answer questions about the economic, small business and consumer impact statement:

Name: Kayla Stivason
 Address: Arizona Department of Administration
 Benefit Services Division
 100 N 15th Ave., Suite 260
 Phoenix, AZ 85007
 Telephone: (602) 364-0803
 Fax: (602) 542-4048
 E-mail: Kayla.Stivason@azdoa.gov
 Web site: <https://benefitoptions.az.gov/>

10. The time, place, and nature of the proceedings to make, amend, repeal, or renumber the rule, or if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:

The Department has scheduled the following oral proceeding:

Date and time: Monday, April 3, 2017 from 8:00 a.m. to 3:00 p.m.

Location: Arizona Department of Administration
 1st Floor Conference Room
 100 N. 15th Ave.
 Phoenix, AZ 85007

Close of record: Monday, April 3, 2017

A person may submit written comments on the proposed rules no later than the close of record to either of the individuals listed in items 4 and 9.

A person with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting Kayla Stivason at Kayla.Stivason@azdoa.gov or (602) 364-0803. Requests should be made as early as possible to allow time to arrange the accommodation.

11. All agencies shall list other matters prescribed by statute applicable to the specific agency or to any specific rule or class of rules. Additionally, an agency subject to Council review under A.R.S. §§ 41-1052 and 41-1055 shall respond to the following questions:

a. Whether the rule requires a permit, whether a general permit is used and if not, the reasons why a general permit is not used:

None of the rules require a permit.

b. Whether a federal law is applicable to the subject of the rule, whether the rule is more stringent than federal law and if so, citation to the statutory authority to exceed the requirements of federal law:

Federal law 26 U.S. Code §125 and 111 P.L. 148 Affordable Care Act and Supreme Court decisions Diaz v. Brewer (Case No. 2:09-cv-02402 JWS) and 135 S. Ct. 2584 Obergefell v. Hodges are applicable to the subject of this rulemaking. The proposed rules are not more stringent than federal law.

c. Whether a person submitted an analysis to the agency that compares the rule's impact of the competitiveness of business in this state to the impact on business in other states:

No business competitiveness analysis was received by the Department.

12. A list of any incorporated by reference material as specified in A.R.S. § 41-1028 and its location in the rules:

Not applicable

13. The full text of the rules follows:

TITLE 2. ADMINISTRATION

CHAPTER 6. DEPARTMENT OF ADMINISTRATION BENEFIT SERVICES DIVISION

ARTICLE 1. GENERAL PROVISIONS

Section	
R2-6-101.	Definitions
R2-6-105.	Times for Enrollment
R2-6-106.	Effective Date of Coverage
R2-6-107.	Termination of Coverage
R2-6-108.	COBRA

ARTICLE 2. INSURANCE PLANS

Section	
R2-6-204.	Employee Flexible Benefit Plan

ARTICLE 3. ELIGIBILITY CRITERIA

Section



- R2-6-301. Eligibility to Participate in Health, Dental, and Vision Insurance Plans
- R2-6-302. Eligibility to Participate in Life and Short-term Disability Insurance Plans
- R2-6-303. Audit of Dependent Eligibility

ARTICLE 1. GENERAL PROVISIONS

R2-6-101. Definitions

In this Chapter, unless otherwise specified:

1. "Accident and health insurance," as used in A.R.S. Title 38, Chapter 4, Article 4, means health insurance and dental insurance.
2. "Agency" means a department, board, office, authority, commission, or other governmental budget unit of the state.
3. "Agency head" means the chief executive officer of an agency.
4. "Appeal" means a request to a plan provider for review of a decision made by the plan provider.
5. "Approved leave" means an employee's or officer's absence from assigned work that is authorized by the employee's or officer's supervisor.
6. "Base pay" means the fixed compensation paid to an employee or officer. Base pay excludes pay for overtime, shift differential, bonuses, special performance adjustment, special incentive program, or other allowance.
7. "Basic life insurance" means the amount of life insurance that the Department provides at no charge to an employee or officer.
8. "Child" means an ~~unmarried~~ individual who falls within one or more of the following categories:
 - a. A natural child, adopted child, ~~or~~ stepchild, or foster child of an employee, officer, retiree, or former elected official, ~~or domestic partner~~ who is: ~~younger than 26;~~
 - i. ~~Younger than 19; or~~
 - ii. ~~Younger than 25 if a full-time student;~~
 - b. ~~A foster child who is younger than 19;~~
 - c. A child who is younger than ~~19~~26 for whom the employee, officer, retiree, or former elected official has court-ordered guardianship;
 - d. A child who is younger than ~~19~~26 and placed in the home of the employee, officer, retiree, or former elected official by court order pending adoption; or
 - e. A natural child, adopted child, ~~or~~ stepchild or foster child of an employee, officer, retiree, or former elected official, ~~or domestic partner~~:
 - i. Who was disabled as defined at 42 U.S.C. 1382c before the age of ~~19~~ 26;
 - ii. Who continues to be disabled as defined at 42 U.S.C. 1382c;
 - iii. Who is dependent for support and maintenance upon the employee, officer, retiree, or former elected official, ~~or domestic partner~~; and
 - iv. For whom the employee, officer, retiree, or former elected official, ~~or domestic partner~~ had custody before the child was ~~19~~26.
9. "COBRA" means Consolidated Omnibus Budget Reconciliation Act of 1986, which is a federal law that provides the opportunity to continue group health insurance cover- age that might otherwise be terminated.
10. "COBRA member" means a former member or formerly eligible dependent of a member or former member who opts to continue health insurance through COBRA after no longer meeting the eligibility standards in Article 3.
11. "Compensation" means the total taxable remuneration provided by the state to an employee or officer in exchange for the employee's or officer's services.
12. "Creditable coverage" has the same meaning as pre- scribed at 29 U.S.C. 1181.
13. "Day" means a calendar day.
14. "Dental insurance" means an arrangement under which a policy holder makes advance payment to an insurer and the insurer pays amounts on behalf of an insured for certain preventive, diagnostic, and remedial care of the insured's teeth and gums.
15. "Department" means the Arizona Department of Administration.
16. "Director" means the Director of the Department or the Director's designee.
17. "Disability income insurance" means a form of insurance that insures a specified portion of the compensation of an employee or officer against the risk that disability will make working impossible.
18. "Disabled older child" means an older child who:
 - a. ~~Is disabled, as defined at 42 U.S.C. 423 or 42 U.S.C. 1382e;~~
 - b. ~~Became disabled on or after the older child's 19th birthday but before the older child's 25th birthday;~~
 - c. ~~Is dependent for support and maintenance upon:~~
 - i. ~~The employee, officer, retiree, or former elected official who enrolled the disabled older child in the insurance plan made available by the Department; or~~
 - ii. ~~The domestic partner of the employee, officer, retiree, or former elected official; and~~
 - d. ~~If the criteria in subsections (18)(a) through (18)(c) are met, may be more than 24 years old.~~
19. "Domestic partner" means an individual who is of the same or opposite gender to an employee, officer, or retiree and who:
 - a. ~~Shares a permanent residence with the employee, officer, or retiree;~~
 - b. ~~Has resided with the employee, officer, or retiree continuously for the last 12 consecutive months and expects to continue to reside with the employee, officer, or retiree indefinitely as evidenced by an affidavit filed at the time of enrollment;~~
 - c. ~~Has not signed a declaration or affidavit of domestic partnership with another individual within the last 12 months;~~
 - d. ~~Has not had another domestic partner within the last 12 months;~~
 - e. ~~Does not currently have another domestic partner;~~
 - f. ~~Is not currently married to or legally separated from anyone;~~
 - g. ~~Is not related by blood to the employee, officer, or retiree to a degree that would prohibit marriage in Arizona;~~
 - h. ~~Was mentally competent to consent when the domestic partnership was established;~~



- i- Is not acting under fraud or duress with regard to the insurance plans made available by the Department;
- j- Is at least 18 years old; and
- k- Is financially interdependent with the employee, officer, or retiree in at least three of the following ways:
 - i- Holds a joint mortgage, joint property tax identification, or joint tenancy on a residential lease;
 - ii- Holds one or more credit or bank accounts jointly;
 - iii- Owns significant property, such as a vehicle or real estate, jointly;
 - iv- Has one or more joint liabilities;
 - v- Is named by or has named the employee, officer, or retiree as beneficiary of life insurance or under a will or retirement annuity;
 - vi- Has a written durable power of attorney in which each assumes financial responsibility for the other; or
 - vii- Other evidence of financial interdependence that is approved by the Director.
- 20. "Eligible dependent" means a member's spouse, ~~domestic partner, or~~ child, ~~older child, or disabled older child,~~ who is lawfully present in the U.S.
- 21. "Employee" ~~for the purposes of eligibility,~~ means an individual who is hired by the state, including the state universities, and who is regularly scheduled to work at least 20 hours per week for six months or longer ~~Employee does not include: at least 90 days, but does not include:~~
 - a. A patient or inmate employed at a state institution;
 - b. A non-state employee, officer, or enlisted personnel of the National Guard of Arizona;
 - c. ~~An individual hired to fill an emergency, seasonal, or temporary position; A seasonal, temporary, or variable hour employee, unless the employee is determined to have been paid for an average of at least 30 hours per week using a 12-month measurement period;~~
 - d. An individual who fills a position designed primarily to provide rehabilitation to the individual;
 - e- ~~A student or work study employee; or~~
 - fg. An individual hired by a state university or college for whom the state university or college does not contribute to a state-sponsored retirement plan unless the individual is:
 - i. A non-immigrant alien employee,
 - ii. Participating in a medical residency or post- doctoral training program,
 - iii. On federal appointment with Cooperative Extension, or
 - iv. A retiree who has returned to work under A.R.S. § 38-766.01.
- 22. "Employee flexible benefit plan," is the State of Arizona Cafeteria Plan as approved by the Internal Revenue Service and means the insurance plans specified in R2-6- 204, the value of which is excludable from an employee's or officer's compensation under Section 125 of the Internal Revenue Code.
- 23. "Flexible spending account" means a financial arrangement under which an employee or officer authorizes the Department to reduce the employee's or officer's compensation on a pre-tax basis by a specified amount that the employee or officer uses to pay for eligible out-of- pocket expenses for health care, dependent care, or both.
- 24. "Former elected official" means an individual who was elected by popular vote in this state to serve, but who no longer serves as
 - a:
 - a. State official;
 - b. County official;
 - c. Justice of the Supreme Court;
 - d. Judge of the court of appeals or superior court;
 - e. Full-time superior court commissioner except a full- time superior court commissioner who did not make a timely election of membership under the judges' retirement plan repealed on August 7, 1985; and
 - f. Official of an incorporated city or town if the incorporated city or town has executed an agreement with the state for coverage of the official.
- 25. "Grievance" means a written expression of dissatisfaction about any benefits matter other than a decision by a plan provider.
- 26. "Health insurance" means an arrangement under which a policy holder makes advance payments to an insurer and the insurer pays amounts on behalf of an insured for routine, preventive, and emergency health-care procedures and pharmaceuticals.
- 27. "Incumbent" means the employee or officer who currently holds a position or office.
- 28. "Institution" means a facility that provides supervision or care for residents on a 24-hours-per-day, seven-days-per- week basis.
- 29. "Life insurance" means a contract between an insurer and a policy holder under which the insurer agrees to pay a sum of money upon the occurrence of an insured's death in exchange for the policy holder paying a stipulated amount at regular intervals.
- 30. "Long-term disability insurance" means an insurance product that replaces part of an employee's or officer's compensation after an initial waiting period for the duration of time that the employee or officer is medically determined to be totally disabled as a result of a covered injury, illness, or pregnancy.
- 31- "Manifest error" means an act or failure to act that clearly is or has caused a mistake.
- 32. "Member" means an employee, officer, retiree, or former elected official who meets the criteria at R2-6-301(B), who enrolls in one or more of the insurance plans made available by the Department.
- 33. "Officer" means an individual who:
 - a. Is elected or appointed to a state office, including a member of the state legislature; or
 - b. Is a member of a state board, commission, or council and serves at least 1,000 hours per year.
- 34. "Older child" means an individual who meets one of the criteria in subsections (a) through (e) and all of the criteria in subsections (d) through (g):
 - a- Is a natural child, adopted child, or stepchild of an employee, officer, retiree, or former elected official;
 - b- Is a natural child, adopted child, or stepchild of a domestic partner; or



- e. ~~Is a child for whom an employee, officer, retiree, or former elected official received a court-ordered guardianship when the child was 18 years old or younger;~~
- d. ~~Is younger than 25 years old;~~
- e. ~~Is unmarried;~~
- f. ~~Was covered by a health insurance plan made available by the Department during the year that the individual was 18 years old; and~~
- g. ~~Resides in Arizona.~~
- 35. ~~"Open enrollment" means a specified period during which a member may make additions, changes, or deletions to the member's participation in the insurance plans made available by the Department.~~
- 36. ~~"Ophthalmic goods" means eyeglasses or contact lenses for which a prescription is required and components of the eyeglasses.~~
- 37. ~~"Plan provider" means an entity that enters into a contract with the Department to provide an insurance plan to members and their eligible dependents.~~
- 38. ~~"Plan year" means a specified period of 12 consecutive months during which a member is able to change the member's participation in the insurance plans made available by the Department only if the member experiences a qualified life event.~~
- 39. ~~"Post-tax dependent" means an older child, disabled older child, domestic partner, and natural child, adopted child, or stepchild of the domestic partner of an employee or officer.~~
- 40. ~~"Pre-tax dependent" means an eligible dependent who is not a post-tax dependent.~~
- 41. ~~"QMCSO" means qualified medical child support order and has the same meaning as prescribed at 29 U.S.C. 1169.~~
- 42. ~~"Qualified life event" means a change in a member's dependents, employment status, or residence that entitles the member to change the member's or an eligible dependent's participation in the insurance plans made available by the Department before the next open enrollment period. Qualified life event includes:~~
 - a. ~~Change in marital status caused by marriage, divorce, legal separation, annulment, or death of spouse;~~
 - b. ~~Change in domestic partnership status caused by creation or termination of a domestic partnership or death of a domestic partner;~~
 - eb. ~~Change in dependent status caused by birth, adoption, placement for adoption, court-ordered guardianship, death, or dependent eligibility due to age, marriage, or student status;~~
 - dc. ~~Change in employment status or work schedule that affects a member's eligibility to participate in the insurance plans made available by the Department; and~~
 - ed. ~~Change in residence that affects available insurance plan options.~~
- 43. ~~"Retiree" means an employee or officer who is retired under a state-sponsored retirement plan or who receives long-term disability payments under a plan made available by the Department.~~
- 44. ~~"Salary-reduction order" means a document signed by an employee or officer who elects to participate in the employee flexible benefit plan authorizing the state to reduce the employee's or officer's compensation under Section 125 of the Internal Revenue Code.~~
- "Seasonal employee" means an individual who is employed by the state for not more than six months of the year and whose state employment is dependent on an easily identifiable increase in work associated with a specific and reoccurring season. Seasonal employees do not include employees of education entities who work during the active portions of the academic year.
- 45. ~~"Short-term disability insurance" means an insurance product that replaces part of an employee's or officer's compensation for a predetermined period if the employee or officer is medically determined to be unable to work due to illness, pregnancy, or a non-work-related injury.~~
- 46. ~~"Spouse" means a member's husband or wife under Arizona law.~~
- 47. ~~"Supplemental life insurance" means life insurance that is in addition to basic life insurance.~~
- 48. ~~"Surviving dependent," as used in A.R.S. § 38-651.01(A) or A.R.S. §38-1114, means:~~
 - a. ~~An insured eligible dependent of an insured retiree who dies, or~~
 - b. ~~An insured spouse or insured eligible dependent child of an insured employee or officer who dies when eligible for retirement under the Arizona State Retirement System; or~~
 - c. An insured or uninsured dependent of a deceased law enforcement officer killed in the line of duty as specified in A.R.S. §38-1114.
- 49. ~~"Surviving spouse," as used in A.R.S. § 38-651.01(B), means the insured spouse of:~~
 - a. ~~An incumbent elected official who dies when the incumbent elected official would be qualified for eligibility under R2-6-301(B) if the incumbent elected official had not been in office at the time of death, or~~
 - b. ~~An insured former elected official who dies when qualified for eligibility under R2-6-301(B); or~~
 - c. An insured or uninsured spouse of a deceased law enforcement officer killed in the line of duty as prescribed in A.R.S. §38-1114.
- "Temporary employee" means an appointment made for a maximum of 1,500 hours worked in any agency in each calendar year. A temporary appointment employee may work full time for a portion of the year, intermittently, on a seasonal basis, or on an as needed basis.
- "Variable hour employee" means an individual who is employed by the state, if based on the facts and circumstances at the employee's start date, for whom the state cannot determine whether the employee is reasonably expected to be employed an average of at least 30 hours per week, including any paid leave, because the employee's hours are variable or otherwise uncertain.
- 50. ~~"Vision insurance" means a form of insurance that provides coverage for the services rendered by an eye-care professional and for the purchase of ophthalmic goods.~~

R2-6-105. Times for Enrollment

- A. An employee, officer, retiree, or former elected official may enroll or may enroll an eligible dependent in one or more of the insurance plans made available by the Department only at the following times:



1. Within 31 days of becoming eligible to participate in an insurance plan,
 2. Within 31 days of a qualified life event, and
 3. At open enrollment.
- B.** A surviving dependent, as defined in R2-6-101, who wishes to continue enrollment in the health, dental, and vision insurance plans made available by the Department shall enroll within six months after the death that makes the surviving dependent eligible to continue enrollment.
- C.** A surviving spouse, as defined in R2-6-101, who wishes to continue enrollment in the health, dental, vision, or life insurance plans made available by the Department shall enroll within 31 days after the death of the incumbent or former elected official.
- D.** If a surviving spouse or surviving dependent of a deceased law enforcement officer killed in the line of duty was enrolled or enrolled in the health insurance program made available by the department or the health insurance program that is offered by the state retirement system or plan from which the surviving spouse or surviving dependent is receiving benefits at the time the law enforcement officer was killed in the line of duty or died from injuries suffered in the line of duty and is eligible to receive health insurance premium payments but is no longer enrolled in either health insurance program, the employer shall allow the surviving spouse and any surviving dependent to enroll in the employer's health insurance program to receive health insurance premium payments pursuant to § A.R.S. 38-1114.
- DE.** To be covered under the health or dental insurance plans made available by the Department, a retiree shall enroll at the time specified in subsection (A) and shall maintain enrollment in the health or dental insurance plan. If a retiree terminates participation in both the health and dental insurance plans made available by the Department, neither the retiree nor the retiree's eligible dependent is eligible to enroll at a later time.

R2-6-106. Effective Date of Coverage

- A.** If an individual enrolls in an insurance plan made available by the Department or provides notice of a qualified life event within the time specified in R2-6-105, the Department shall ensure that the insurance coverage becomes effective on the following dates:
1. Newly hired employee or officer. The date determined by the Director following submission of a properly completed enrollment form and supporting documentation;
 2. Retiree, former elected official, surviving dependent, or surviving spouse. The first day of the first pay period following the end of active coverage or the first day of the first month following submission of a properly completed enrollment form and supporting documentation, whichever is applicable;
 3. Qualified life event change other than a change in the number of dependents due to birth, adoption, legal placement for adoption, or grant of legal guardianship:
 - a. Non-university employee or officer. The first day of the first pay period following submission of a properly completed enrollment form and supporting documentation;
 - b. University employee. The date determined by the Director; and
 - c. Retiree, former elected official, surviving dependent, or surviving spouse. The first of the month following submission of a properly completed enrollment form and supporting documentation; and
 4. Change in the number of dependents due to birth, adoption, legal placement for adoption, or grant of legal guardianship. On the date of birth, adoption, legal placement for adoption, or grant of legal guardianship if a properly completed enrollment form and supporting documentation are submitted.
- B.** If a retiree, former elected official, eligible dependent, surviving dependent, or surviving spouse becomes eligible for Medicare, the retiree, former elected official, eligible dependent, surviving dependent, or surviving spouse may cancel or reduce coverage under the health plan made available by the Department. If a retiree, former elected official, eligible dependent, surviving dependent, or surviving spouse ceases to be eligible for Medicare, the retiree, former elected official, eligible dependent, surviving dependent, or surviving spouse may enroll or increase coverage under the health plan made available by the Department. A change made under this subsection becomes effective on the first day of the first month following submission of a properly completed enrollment form and supporting documentation if the enrollment form and supporting documentation are submitted within 31 days of the change in Medicare eligibility.
- C.** If a member experiences one of the following changes in coverage, the member may make a corresponding change to the member's coverage under the health plan made available by the Department by submitting a properly completed enrollment form and supporting documentation within 31 days of the change. A change made under this subsection becomes effective on the first day of the first pay period or first month, as applicable, following submission of a properly completed enrollment form and supporting documentation:
1. Elected coverage provided under the plan is significantly restricted or eliminated,
 2. Non-elected coverage provided under the plan is significantly improved,
 3. The member's spouse ~~or domestic partner~~ makes a change in the coverage provided by the spouse's ~~or domestic partner's~~ employer,
 4. The member or an eligible dependent loses coverage under another group health plan sponsored by a governmental or educational ~~institution entity~~, or
 5. The member becomes subject to a QMCSO or another person becomes subject to a QMCSO that requires the other person to provide health insurance for the member's eligible dependent.

R2-6-107. Termination of Coverage

- A.** Insurance coverage of an employee or officer and the employee's or officer's eligible dependent terminates at 11:59 p.m. on the last day of the period for which an insurance premium was paid if the employee or officer ceases to be eligible to participate in the insurance plan.
- B.** Insurance coverage of an eligible dependent terminates at 11:59 p.m. on the last day of the month that the individual is an eligible dependent under this Chapter.
- C.** Insurance coverage of a retiree or former elected official terminates:



1. Automatically if the retiree or former elected official dies, or
 2. At 11:59 p.m. on the last day of the period for which the last insurance premium was paid.
- D.** Insurance coverage of a surviving dependent or surviving spouse terminates;
1. At 11:59 p.m. on the last day of the period for which the last insurance premium was paid; or
 2. Shall be in accordance with A.R.S. § 38-1114 for surviving spouse and dependents of a deceased law enforcement officer killed in the line of duty, including the termination of payments for health insurance premiums payable by the employer.
- E.** Insurance coverage of a COBRA member terminates at 11:59 p.m. on the last day that the COBRA member is eligible for coverage under COBRA or of the period for which the last insurance premium was paid.
- F.** By providing written notice to the Director at any time, an employee, officer, or former elected official, as applicable, may cease purchasing:
1. Supplemental life insurance in excess of \$35,000;
 2. Life insurance for an eligible dependent; or
 3. Short-term disability insurance.

R2-6-108. COBRA

- A.** When a member or an insured eligible dependent ceases to be eligible to participate in the health, dental, or vision insurance plans made available by the Department because of a change in the work status of the member, the Director shall inform the member or eligible dependent of whether the member or eligible dependent is eligible for coverage under COBRA.
- B.** When an insured eligible dependent of a member ceases to be eligible to participate in the health, dental, or vision insurance plans made available by the Department because the member dies or because of divorce, legal separation, ~~termination of domestic partnership~~, or ceasing to meet the criteria for a child, ~~older child, or disabled older child~~, the member or affected dependent shall provide written notice of the change to the Director within 60 days of the change. The Director shall inform the affected dependent whether the affected dependent is eligible for coverage under COBRA. The Department shall not make COBRA coverage available to an affected dependent if notice is not provided as specified in this subsection.
- C.** When an employee or officer ceases to be eligible for a health care flexible spending account because of termination of status as an employee or officer, the Director shall inform the former employee or officer and all qualified beneficiaries of whether they are eligible for coverage under COBRA.
- D.** The state shall not pay any of the cost for COBRA coverage. An individual who elects COBRA coverage shall pay all costs plus a small amount for administrative expenses.
- E.** COBRA coverage is determined by federal law.

ARTICLE 2. INSURANCE PLANS

R2-6-204. Employee Flexible Benefit Plan

- A.** The Director shall ensure that the premium paid by an employee or officer for participation in the insurance plans listed in R2-6-201(1) through (3) and for a maximum of \$35,000 in supplemental life insurance and the amount set aside in a flexible spending account reduces the employee's or officer's compensation as allowed by Section 125 of the Internal Revenue Code.
- B.** The Director shall ensure that the premium paid by an employee or officer to enroll a ~~pre-tax~~ dependent in the insurance plans listed in R2-6-201(1) through (3) reduces the employee's or officer's compensation as allowed by Section 125 of the Internal Revenue Code.
- C.** The Director shall ensure that the amount paid by the state to enable a ~~post-tax~~ dependent of an employee or officer to participate in the insurance plans listed in R2-6-201(1) through (3) increases the employee's or officer's compensation and is taxed as required by law.
- D.** If an employee or officer experiences a qualified life event during a plan year that adds or deletes a ~~pre-tax or post-tax~~ dependent, the Director shall ensure that the compensation of the employee or officer is adjusted accordingly and taxed as required by law.
- E.** The Director shall ensure that the method of adjusting an employee's or officer's compensation under this Section is not changed or canceled until the end of a plan year.

ARTICLE 3. ELIGIBILITY CRITERIA

R2-6-301. Eligibility to Participate in Health, Dental, and Vision Insurance Plans

- A.** Employees, officers, and retirees. An employee, officer, or retiree may participate in the health, dental, and vision insurance plans made available by the Department by enrolling at the time specified in R2-6-105 and agreeing to pay the contracted cost of each insurance plan chosen.
- B.** Former elected officials. A former elected official may participate in the health, dental, and vision insurance plans made available by the Department if the former elected official:
1. Has at least five years of credited service in the Elected Officials' Retirement Plan established at A.R.S. § 38- 802;
 2. Participated in a group health, dental, or vision insurance plan made available to elected officials at the time of leaving office;
 3. Served as an elected official on or after January 1, 1983;
 4. Enrolls at the time specified in R2-6-105; and
 5. Agrees to pay the contracted cost of the insurance plan.
- C.** Eligible dependents. A member may enroll an eligible dependent in the health, dental, and vision insurance plans made available by the Department at the time specified in R2-6-105. The member who enrolls an eligible dependent shall pay the contracted cost of the insurance plan.
- D.** Surviving dependents. A surviving dependent, as defined at R2-6-101, may continue coverage under the health, dental, and vision insurance plans made available by the Department by enrolling at the time specified in R2-6-105 and paying the contracted cost of the insurance plan.



- E. Surviving spouse. A surviving spouse, as defined at R2-6-101, may continue coverage under the health, dental, and vision insurance plans made available by the Department by enrolling at the time specified in R2-6-105 and paying the contracted cost of the insurance plan.
- F. Eligibility exception. An employee or officer who is on approved leave without pay and the enrolled eligible dependents of the employee or officer may continue enrollment in the health, dental, and vision insurance plans made available by the Department under the conditions specified in R2-5A-C602.
 - ~~1. R2-5-405 if the employee or officer is on approved leave without pay because of an industrial illness or injury,~~
 - ~~2. R2-5-413 if the employee or officer is on approved medical leave without pay, and~~
 - ~~3. R2-5-414 if the employee or officer is on approved leave without pay for another reason.~~
- G. Coverage of a newborn infant.
 - 1. The state shall provide health insurance to an infant born to a member or the member's spouse from the time the infant is born until the infant reaches its 31st day. To ensure that the infant continues to have health insurance coverage, the member shall enroll the infant in the health insurance plan made available by the Department before the infant reaches its 31st day.
 - 2. In compliance with the Newborns' and Mothers' Health Protection Act of 1996, the state shall provide health insurance to an infant born to a member's eligible dependent other than the member's spouse. As permitted under the Newborns' and Mothers' Health Protection Act of 1996, the state shall limit health insurance provided under this subsection to 48 hours for a vaginal delivery and 96 hours for delivery by cesarean section. A member who wishes to obtain health insurance for the infant beyond the time required under the Newborns' and Mothers' Health Protection Act of 1996, may enroll the infant in the health insurance plan made available by the Department if the infant is eligible.

R2-6-302. Eligibility to Participate in Life and Short-term Disability Insurance Plans

- A. Employees and officers.
 - 1. Life insurance. An employee or officer may participate in the life and short-term disability insurance plans made available by the Department by enrolling at the time specified in R2-6-105. The state shall provide basic life insurance to an employee or officer at no charge.
 - 2. Short-term disability insurance. An employee or officer who chooses to participate in the short-term disability insurance plan made available by the Department shall agree to pay the contracted cost of the plan.
 - 3. Supplemental life insurance. The state shall make supplemental life insurance available to an employee or officer. An employee or officer may purchase an amount of supplemental life insurance that, ~~when combined with basic life insurance,~~ does not exceed three times the employee's or officer's base pay, rounded down to the nearest \$5,000 or the maximum amount established by the Director, whichever is less. An employee or officer who chooses to participate in the supplemental life insurance plan shall agree to pay the contracted cost for the supplemental life insurance.
- B. Former elected officials. A former elected official may purchase life insurance made available by the Department if the former elected official meets the criteria at R2-6-301(B)(1) and (3).
- C. Eligible dependents. An employee, officer, or former elected official who meets the criteria at R2-6-301(B)(1) and (3) may purchase life insurance through the plan made available by the Department for an eligible dependent in an amount determined by the Director. An employee, officer, or former elected official who chooses to purchase life insurance for an eligible dependent shall agree to pay the contracted cost for the life insurance.
- D. Surviving spouse of a former elected official. Under A.R.S. § 38-651.02(C), the surviving spouse of a former elected official who met the criteria at R2-6-301(B)(1) and (3) at the time of death may continue to purchase life insurance through the plan made available by the Department if the surviving spouse:
 - 1. Makes application within the time specified in R2-6-105,
 - 2. Agrees to pay the contracted cost for the life insurance, and
 - 3. Is receiving a monthly survivor's retirement check from the Elected Officials' Retirement Plan.

R2-6-303. Audit of Dependent Eligibility

- A. A member shall not enroll an individual in an insurance plan made available by the Department unless the individual is an eligible dependent as defined in R2-6-101.
- B. The Department shall conduct audits to determine whether individuals enrolled by members in an insurance plan made available by the Department are eligible dependents. The Department shall choose a particular member for audit either randomly or in response to uncertainty concerning dependent eligibility.
- C. If a member is chosen for audit, the Department shall provide the member with written notice and 60 days in which to produce evidence that an individual enrolled by the member in an insurance plan made available by the Department is an eligible dependent. The Director may extend the 60-day requirement in an individual case. Evidence of dependent eligibility may include one or more of the following:
 - 1. Marriage certificate,
 - 2. Birth certificate,
 - ~~3. Documentation of lawful presence in the U.S.,~~
 - ~~4. Documentation of sharing a permanent residence and financial interdependence as described in R2-6-101(19),~~
 - ~~53.~~ Receipts for insurance payments made while on leave without pay,
 - ~~64.~~ Court order regarding adoption or placement for adoption,
 - ~~75.~~ Court order regarding guardianship,
 - ~~86.~~ Documentation of foster-child placement,
 - ~~97.~~ Tax return,
 - ~~10.~~ ~~School registration form or transcript,~~
 - ~~118.~~ Declaration of disability from the Social Security Administration,
 - ~~129.~~ Documentation of Arizona residence, or



~~43~~10. Other documentation acceptable to the Director.

- D. If a member chosen for audit fails to produce evidence of dependent eligibility within the time specified in subsection (C), the Department shall:
1. Upon providing advance notice of at least 30 days to the member. Terminate terminate insurance coverage of the individual whose eligibility was not proven;
 2. Require that the member reimburse the Department for all premiums and claims paid since October 1, 2004, on behalf of the individual whose eligibility was not proven; and
 3. Report an employee or officer who misrepresented dependent eligibility to the employee's or officer's agency for possible disciplinary action.